

GREATER JAKARTA | INDUSTRIAL ESTATE

Industrial Estate Sector

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Industrial Land Supply

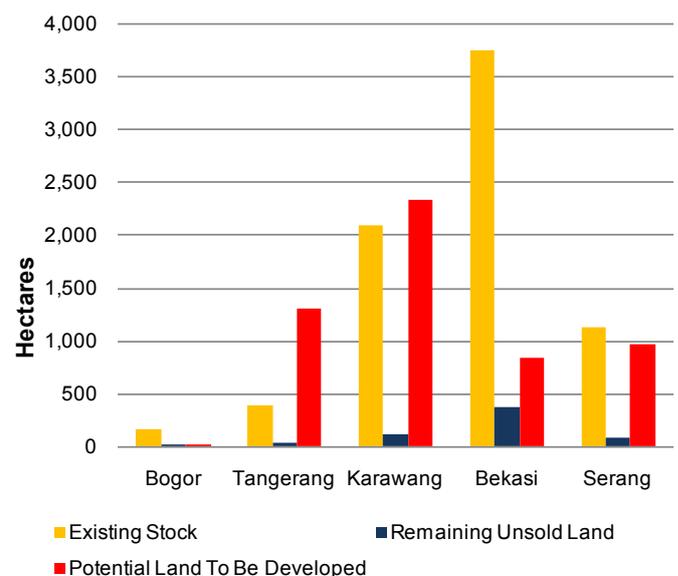
This quarter we added Griya Idola Industrial Park into our supply. Developed by Barito Pacific Group, Griya Idola is a small industrial park in Tangerang that provides around 38 hectares of saleable industrial land. About 38% of the land has been sold, leaving around 23.4 hectares of land available for sale. This amount seems relatively small, but there are not many ready-to-build pieces of land available in Tangerang currently. There are only two active industrial estates selling land in Tangerang – Millennium and Griya Idola. The other industrial estates and industrial zoning areas are old projects with very limited lands for sale. Other industrial estates in Tangerang are not very aggressive in selling and mainly allocating land for their internal use. Millennium might hold a substantial amount of undeveloped land, but the shortage of ready-to-build industrial land was the reason for nil sales this quarter. Similar to Tangerang (in the west side of Jakarta), Bogor (further south of Jakarta) has only two industrial estates and they are not too active in selling or leasing. Thus far, we have not heard either about any expansion plan from the existing estates or plan for new industrial projects.

The scarcity of land is also a pivotal issue for several estates in Karawang. Almost all active industrial estates including Suryacipta, KIIC and Kota Bukit Indah have plans to expand their estates. Suryacipta has so far developed around 100 hectares of land, whilst KIIC is now working on land expansion of up to 160 hectares. Meanwhile, the slow sales activity in Kota Bukit Indah for several periods was partly due to the insufficient land stock to sell. They are now preparing for the expansion of more than 100 hectares. Nonetheless, Karawang still holds a large amount of land to be developed, particularly from the consortium of Trans Hexa Karawang. It will be interesting to see how the big Chinese corporation, CFLD will transform the industrial land they acquired from Agung Podomoro, which will invigorate the industrial market in Karawang, particularly amongst the developers within Trans Hexa Karawang.

Another progressive region in selling industrial land is Bekasi. Again the problem is simply similar to the other regions – the shortage of land. For some periods, MM2100 has registered negligible sales mainly because they have very limited land. Another similar case is KIEC located in Serang. With limited sizeable land parcel to offer, sales volume in this estate was quite restrained, particularly when dealing with buyers with a large land requirement.

Up to the first half of 2017, supply amount remains unchanged and will likely continue up to the yearend, given a slow activity in sales.

Industrial Land Stock Status in Some Active and Future Industrial Estates



Source: Colliers International Indonesia - Research

Land Sales Activities

About 67% of the total sales last year was materialised during the first half of 2017, suggesting that total sales this year might surpass last year's. There is likely a pent up demand that might occur in the last period of that year that could potentially accelerate sales for the whole 2017. Total sales recorded during Q2 2017 were at 62.81 hectares, with dominant contribution coming from the sales in Bekasi (93%). This brought the total sales during the first semester of 2017 to 116.94 hectares, almost 2.5 times higher than the total sales in the same period of last year.

GIIC continued a positive sales trend since the beginning of the year with a higher amount of land being sold. This quarter, they concluded their highest sales volume of 36 hectares from three major transactions, with one supplement producer of around 20 hectares and two transactions totalling to 16 hectares from automotive companies. In second place, Bekasi Fajar sold more than 20 hectares of land from two major deals, including the expansion of a musical instruments producer with around 15 hectares and the new auto parts producer involving around 5 hectares.

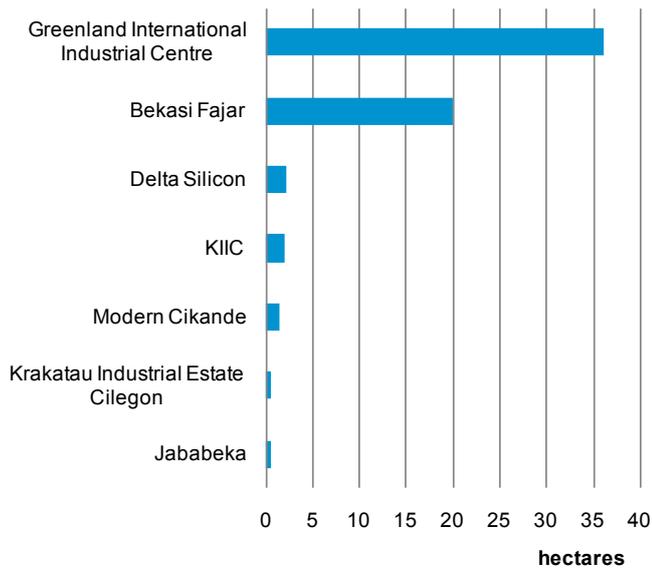
Still in Bekasi, Delta Silicon reported four small deals that concluded during the quarter. The 2.18-hectares deal was not an impressive number, but this already surpassed this estate's total sales for the last two years. The three deals involved new industries comprising Japanese and local companies, whilst an expanding local company concluded another deal. Meanwhile, Jababeka closed just one small deal of around 0.5 hectare this quarter.

The availability of land has been the major issue for several industrial estates including Millennium in Tangerang. After reporting consistent sales every quarter, Millennium has not sold anything for the last two consecutive quarters, partly because of the limited land to sell. There are several operating industrial estates in Tangerang, but most of them are not active in selling, has no land to sell or prioritise to use the land for their own group of companies. For several years, land transaction in Tangerang has been very limited, just like in Bogor. Griya Idola Industrial Park is well positioned amidst the short supply situation in Tangerang and also benefitting from the expansion of medium-scale industries that have been operating in the western part of Jakarta. They plan to extend their production capacity. Since they began operation in 2015, Griya Idola has sold around 14.6 hectares. They were more focused on selling a small parcel of land and industrial buildings, including warehouse. Last quarter, there were seven small transactions comprising industrial buildings, warehouses and 1.4 hectares of land, totalling to 2.3 hectares.

Only a moderate amount of land transactions was recorded in Karawang during Q2 2017, with KIIC solely recorded land sales of 2 hectares to a local automotive part producer. Meanwhile, Suryacipta has been quite consistent in reporting sales but was without any transaction this quarter. Likewise, due to the classical issue of shortage in ready-to-build land, Kota Bukit Indah under Indotaisei management has been without transaction for the last three years. Meanwhile, the other Kota Bukit Indah under Besland Pertiwi management that focuses on land/building leasing has confirmed leasing two warehouse units to its existing tenants (plastic industry). Other than the abovementioned estates, we did not record any transaction. The operating industrial estates will benefit from their existing tenants in selling their land. Besides, the established infrastructures within the estate will be more appealing for new industries rather than buying land in the new estates.

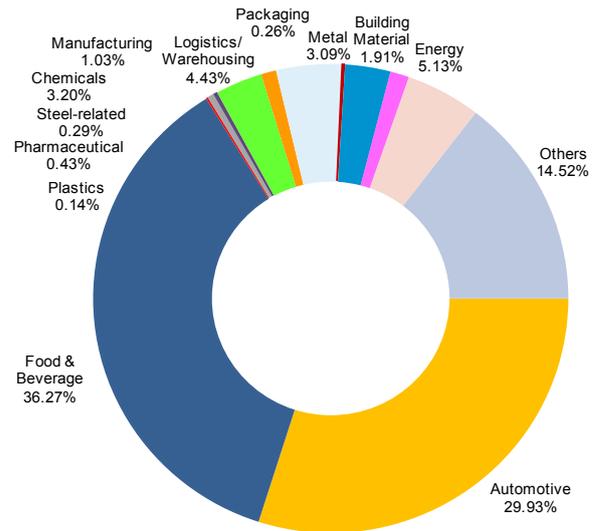
Modern Cikande, which has been selling a substantial amount of land in the Greater Jakarta area, reported a total of only 1.52 hectares this quarter, which according to our record has been the lowest since 2008. This total sales comprise five transactions (three local companies, a Chinese and a Korean company) buying small parcels of land ranging from 1,400 to 6,000 sq m. These transactions involved segments from the industrial sector such as steel fabrication, shoe component, glass, beverages and chemicals. To date, Modern Cikande is the only active industrial estate with the biggest land stock (either ready-to-build land or future land expansion) and therefore they are in a good position when any enquiry for significant land size arises. Like any other established industrial estates, the current issue in KIEC is the limited land to sell, particularly when they were asked by buyers needing a sizeable land plot. This quarter, KIEC only sold a 0.5-hectare land to a mineral water producer. Another interesting point to note is that KIEC, despite having limited land to sell, is well positioned to focus on warehouse-leasing business. Since Serang area is known for heavy industry, food industry and poultry industry, KIEC can conduct business in warehouse-leasing and logistics for these industries.

Land Absorption in Q2 2017



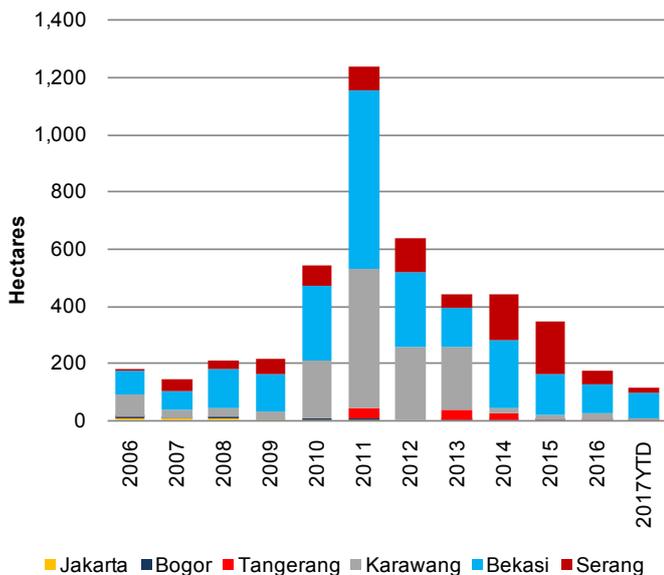
Source: Colliers International Indonesia - Research

Types of Active Industries During Q2 2017



Source: Colliers International Indonesia - Research

Annual Industrial Land Absorption



Source: Colliers International Indonesia - Research

Land Price

The current general market condition and sales performance of each estate suggest that price should be kept at the current level. In our record, none of the operating industrial estates introduced a new price this quarter. Looking at the amount of transaction so far in the first semester this year, there is no strong reason or justification to increase price.

With the addition of Griya Idola to supply inventory, the average price in Tangerang somewhat changed because land price at Griya Idola is the highest (similar to those in the prime industrial estates in Bekasi).

In the remaining months of 2017, we do not detect any plan to increase industrial land price, and thus the average price should stabilise up to the end of 2017.

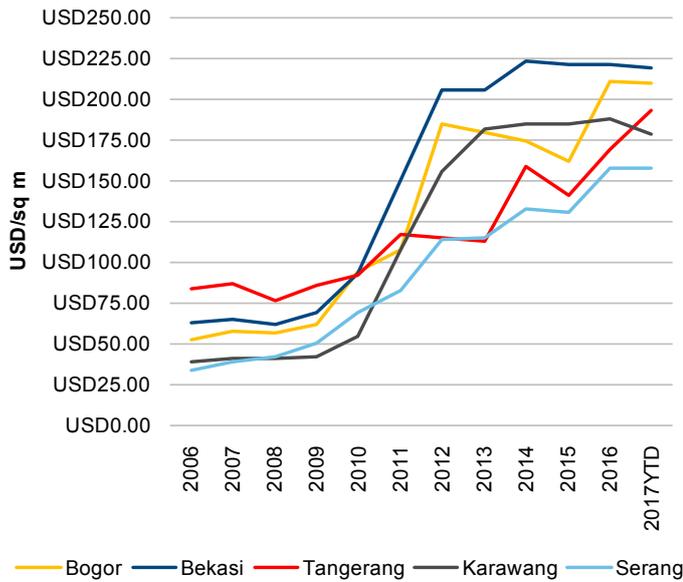
Industrial Land Prices and Maintenance Costs (in USD equivalent)

REGION	LAND PRICE (IN USD/SQ M)			MAINTENANCE COSTS (IN USD/SQ M/MONTH)		
	LOWEST	HIGHEST	AVERAGE	LOWEST	HIGHEST	AVERAGE
Bogor	120.00	300.53	210.26	0.06	0.06	0.06
Bekasi	180.32	240.42	219.80	0.06	0.08	0.07
Tangerang	150.26	244.18	194.09	0.03	0.08	0.06
Karawang	170.00	185.00	178.75	0.05	0.10	0.06
Serang	150.26	165.29	157.78	0.03	0.05	0.04

*1USD = Rp 13,310

Source: Colliers International Indonesia - Research

Greater Jakarta Industrial Land Prices

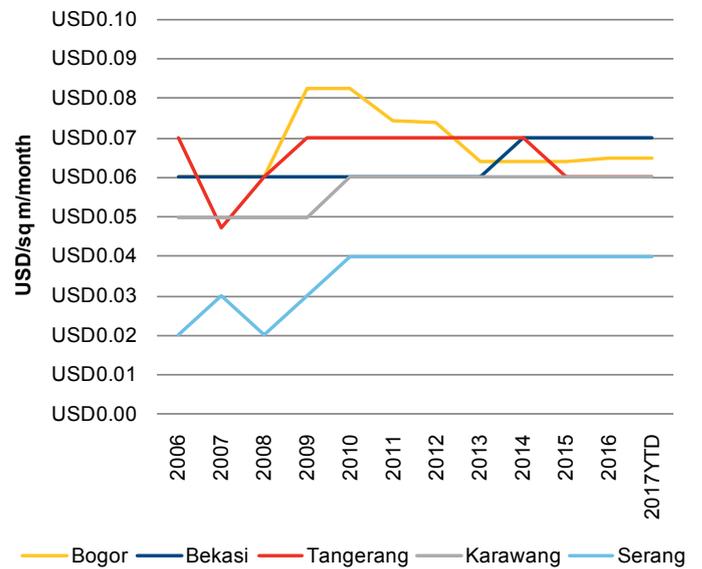


Source: Colliers International Indonesia - Research

Maintenance Cost

Compared to land prices, the maintenance tariffs are more stable and generally have not changed for the last couple of years.

Greater Jakarta Industrial Maintenance Costs



Source: Colliers International Indonesia - Research

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